

**EXECUTIVE SECRETARIAT**  
**ROUTING SLIP**

TO:

|    |           | ACTION | INFO | DATE | INITIAL |
|----|-----------|--------|------|------|---------|
| 1  | DCI       |        | X    |      |         |
| 2  | DDCI      |        | X    |      |         |
| 3  | EXDIR     |        | X    |      |         |
| 4  | D/ICS     |        |      |      |         |
| 5  | DDI       |        | X    |      |         |
| 6  | DDA       |        |      |      |         |
| 7  | DDO       |        |      |      |         |
| 8  | DDS&T     |        |      |      |         |
| 9  | Chm/NIC   |        | X    |      |         |
| 10 | GC        |        |      |      |         |
| 11 | IG        |        |      |      |         |
| 12 | Compt     |        |      |      |         |
| 13 | D/Pers    |        |      |      |         |
| 14 | D/OLL     |        |      |      |         |
| 15 | D/PAO     |        |      |      |         |
| 16 | SA/IA     |        |      |      |         |
| 17 | AO/DCI    |        |      |      |         |
| 18 | C/IPD/OIS |        |      |      |         |
| 19 | NIO/ECON  | X      |      |      |         |
| 20 | NIO/EA    |        | X    |      |         |
| 21 | D/OGI     |        | X    |      |         |
| 22 |           |        |      |      |         |

SUSPENSE \_\_\_\_\_  
Date \_\_\_\_\_

Remarks  
2 Papers attached.

[Signature]

Executive Secretary  
19 Dec 84  
Date



THE SECRETARY OF THE TREASURY  
WASHINGTON 20220

December 19, 1984

Executive Registry

84- 10026/4

UNCLASSIFIED  
(With Confidential Attachment)

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF DEFENSE  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF COMMERCE  
THE SECRETARY OF TRANSPORTATION  
THE SECRETARY OF ENERGY  
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET  
DIRECTOR OF CENTRAL INTELLIGENCE  
UNITED STATES TRADE REPRESENTATIVE  
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS  
ASSISTANT TO THE PRESIDENT & DEPUTY TO THE CHIEF  
OF STAFF  
ASSISTANT TO THE PRESIDENT FOR CABINET AFFAIRS  
CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS  
ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT

SUBJECT: Senior Interdepartmental Group on  
International Economic Policy (SIG-IEP)

The attached paper is provided as a guide for discussion of the U.S.-Japan economic issues under consideration at the SIG-IEP meeting scheduled for Thursday, December 20, 11:00 a.m. in the Roosevelt Room.

Donald T. Regan

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SIG-IEP: Japan

I suggest that our discussion on Thursday concentrate on four major points of a proposed approach for the President.

1. We should adopt the "MOSS" approach of intensive negotiations by sectors for a small initial group to be "blessed" by the President and Prime Minister Nakasone.
2. The President should press Prime Minister Nakasone for a results oriented program to open up the Japanese economy. This would also involve setting a broad target for increased imports of manufactured goods by Japan.
3. The President should indicate to the Prime Minister that, unless there are concrete results, there might be irresistible demands for retaliation.
4. There should be high level follow-up to insure Japan lives up to its commitments.

We have not reached a consensus on the following elements: (a) at which level a target should be set; (b) whether the President should mention retaliation; and (c) whether the President should seek Prime Minister Nakasone's agreement to a short list of specific sectors to be the object of MOSS negotiations, or whether he should simply mention them in an illustrative way.

The arguments in favor of a target are that, despite its basic theoretical drawbacks, it could produce rapid results and would be achievable without undue economic distortions if the MOSS approach is implemented effectively. On this assumption, Treasury has suggested a target of increasing Japanese manufactured imports as a share of GNP by 1/3 in 3 years -- an increase of roughly 50 percent in nominal dollars over the 1983 level, equal to about 1% of Japan's GNP.

There was some apparent confusion at the last meeting as to the implications of this proposed target. For clarification, attached are tables that present the Treasury proposed target and relevant historical data.

December 18, 1984

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Declassify: OADR

**JAPAN**  
**ONE-THIRD INCREASE IN GLOBAL MANUFACTURED IMPORTS**  
**AS PERCENT OF GNP OVER 3 YEARS**  
**(Value in \$U.S. billions)**

|                      | <u>1983<sup>a</sup></u> | <u>1984<sup>p</sup></u> | <u>1985<sup>p</sup></u> | <u>1986<sup>p</sup></u> | <u>% Change<br/>1983-86</u> |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|
| GNP                  | \$1,156                 | \$1,202                 | \$1,250                 | \$1,300                 | 12%                         |
| Manufactured Imports | <u>\$ 32</u>            | \$ 37                   | \$ 43                   | \$ 48                   | 50%                         |
| % of GNP             | 2.8                     | 3.1                     | 3.4                     | 3.7                     | 33%                         |

Note: Assumes real GNP growth of 4% per year and 0% inflation. This compares with an average GNP growth of roughly 5% (nominal) for the period 1981-1983.

a=actual, p=projected.

Manufactures=chemicals, machinery, basic manufactures, and other manufactures except mineral fuel products, processed food, fat, oils, firearms of war, and ammunition.

**JAPAN**  
**GLOBAL MANUFACTURED IMPORTS 1980-1983**  
**(Value in \$U.S. billions)**

|                            | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>1983</u> | <u>% Change<br/>1980-83</u> |
|----------------------------|-------------|-------------|-------------|-------------|-----------------------------|
| Manufactured Imports       | \$30.7      | \$31.3      | \$30.3      | \$31.9      | 4.0%                        |
| % Change from Previous Yr. | 13.3%       | 2.0%        | -3.2%       | 5.3%        | NA                          |
| % of GNP                   | 3.0%        | 2.7%        | 2.9%        | 2.8%        | NA                          |

Note: See above for definition of manufactured imports.

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12/18/84



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December 18, 1984

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MEMORANDUM FOR THE VICE PRESIDENT  
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ASSISTANT TO THE PRESIDENT FOR POLICY DEVELOPMENT

SUBJECT: Senior Interdepartmental Group on  
International Economic Policy (SIG-IEP)

A meeting of the SIG-IEP is scheduled to be held on Thursday, December 20, at 11:00 a.m. in the Roosevelt Room.

The agenda will be further discussion on U.S.-Japan economic issues continued from the December 18 meeting. Attendance will be principal plus one.

Donald T. Regan

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